

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2004**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

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**CITY OF BELLEVUE
BELLEVUE, IOWA**

OFFICIALS

Name	Title	Term Expires
(Before January, 2004 Election)		
Virgil Murray	Mayor	January, 2004
Roger Michels	Council Member	January, 2006
Willard Meyer	Council Member	January, 2006
Tom Roth	Council Member	January, 2004
Michael Roth	Council Member	January, 2004
Lucy Zeimet	Council Member	January, 2004
Loras Herrig	Administrator	July, 2004
Janet Callaghan	City Clerk	July, 2004
Mark Lawson	Attorney	July, 2004
(After January, 2004 Election)		
Virgil Murray	Mayor	January, 2008
Roger Michels	Council Member	January, 2006
Willard Meyer	Council Member	January, 2006
Tom Roth	Council Member	January, 2008
Michael Roth	Council Member	January, 2008
Lucy Zeimet	Council Member	January, 2008
Loras Herrig	Administrator	July, 2005
Janet Callaghan	City Clerk	July, 2005
Mark Lawson	Attorney	July, 2005

**CITY
OF
BELLEVUE**

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bellevue, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Bellevue's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with United States of America generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than United States of America generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the remaining aggregate fund information of the City of Bellevue as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 14, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2004 on our consideration of the City of Bellevue's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of management and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Bellevue's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
August 24, 2004

**CITY OF BELLEVUE
BELLEVUE, IOWA**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bellevue provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the city is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Receipts included \$487,876 in property tax, \$67,051 in TIF, \$154,642 in local option tax, \$195,726 in road use tax, and \$62,388 in interest.
- Disbursements decreased 10.5% in Fiscal 2004 from Fiscal 2003, a total of \$513,811. Disbursements in governmental activities actually increased 10.2%, a total of \$160,878, while proprietary expenditures decreased \$674,689 or 20.3%.
- The City's total cash basis net assets decreased \$195,243 or 11.5% from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased \$42,922 and the assets of the business type activities decreased \$152,321

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and proprietary funds.

Basis of Accounting

The City maintains its financial records of the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

The Statements of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include water, sewer, electric, garbage, ambulance service, and cable television. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. They focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund; 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains ten Enterprise Funds to provide separate information for the water, sewer, electric, garbage, ambulance, cable television, and customer deposits funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$672,453 to \$629,531.

Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	2004	2003
Receipts and transfers:		
Program Receipts:		
Charges for services	58,259	24,672
Operating grants, contributions and restricted interest	224,824	274,505
Capital grants, contributions and restricted interest	123,487	49,412
General Receipts:		
Property tax	487,876	515,647
Tax increment financing	67,051	64,479
Local option sales tax	154,642	150,424
Unrestricted investment earnings	62,388	12,969
Note proceeds	200,000	0
Other general receipts	48,470	147,528
Transfers, net	267,869	264,031
Total receipts and transfers	<u>1,694,866</u>	<u>1,503,667</u>
Disbursements:		
Public safety	374,221	579,034
Public works	292,279	211,154
Culture and recreation	552,543	253,251
Community and economic development	9,259	18,112
General government	259,108	277,566
Debt service	199,858	237,793
Capital projects	50,520	0
Total disbursements	<u>1,737,788</u>	<u>1,576,910</u>
Decrease in cash basis net assets	(42,922)	(73,243)
Cash basis net assets beginning of year	672,453	727,958
Prior period adjustment	<u>0</u>	<u>17,738</u>
Cash basis net assets end of year	<u><u>629,531</u></u>	<u><u>672,453</u></u>

Total receipts for the City's governmental activities increased by 12.7%, or \$191,199. The total cost of all programs and services increased by 10.2% or \$160,878. The increase was primarily as a result of a community center project.

The cost of all governmental activities this year was \$1,737,788 compared to \$1,576,910 last year. However, the amount of receipts collected in the form of property taxes actually decreased from \$515,647 last year to \$487,876 this year, a decrease of \$27,771.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30,	
	2004	2003
Receipts:		
Program receipts:		
Charge for services:		
Water	198,112	180,163
Electric	1,403,563	1,340,650
Sewer rental	387,354	379,323
Sanitation	222,880	220,092
Ambulance	56,417	62,263
Cable TV	391,066	361,723
Operating grants, contributions and restricted interest	6,600	7,200
Capital grants, contributions and restricted interest	44,057	337,000
General receipts:		
Unrestricted interest on investments	14,259	29,732
Miscellaneous	47,316	230,910
Total receipts	<u>2,771,624</u>	<u>3,149,056</u>
Disbursements and transfers:		
Water	226,263	802,339
Electric	1,375,291	1,250,401
Sewer rental	404,185	463,439
Electric – capital improvement	11,438	229,448
Sanitation	200,235	192,695
Ambulance	142,918	121,436
Cable TV	288,671	263,027
Customer's deposits	7,075	7,980
Transfers, net	267,869	264,031
Total disbursements and transfers	<u>2,923,945</u>	<u>3,594,796</u>
Decrease in cash basis net assets	(152,321)	(445,740)
Cash basis net assets beginning of year	<u>1,020,499</u>	<u>1,466,239</u>
Cash basis net assets end of year	<u>868,178</u>	<u>1,020,499</u>

Total business type activities disbursements and transfers for the fiscal year were \$2,923,945 compared to \$3,594,796 last year. The decrease was due primarily to the completion of our municipal well project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Bellevue completed the year, its governmental funds reported a combined fund balance of \$629,531, a decrease of \$42,922 from last year's total. The following are the major reasons for the changes in fund balances of the major funds from the previous year.

- The General Fund paid excess costs from reserves for previously unbudgeted items.
- The Debt Service Fund decreased as debt was retired early.
- The Road Use Tax Fund grew as funds were accumulated for future street projects.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The Water Fund cash balance increased from (\$312,198) to \$61,420. This was accomplished through a \$400,000 transfer from the Electric-Capital Equipment Fund. These funds will be repaid at a future date.
- The Electric Fund cash balance decreased from \$450,035 to \$332,910. This decrease occurred because rising costs were not passed along to customers through rate increases.
- The Sewer Fund cash balance decreased from \$100,587 to \$55,802. Once again, this is a result of rising costs not being passed along to customers.
- The Cable TV Fund increased from (\$7,304) to \$35,600. This is the result of the system becoming debt-free and no longer having debt service.
- The Sanitation Fund had an increase of \$7,845, which represented small surplus of revenue.

DEBT ADMINISTRATION

At June 30, 2004, the city had \$2,155,214 in long-term debt, compared to \$2,030,059 last year, as shown below.

Outstanding Debt at Year-end		
	June 30,	
	2004	2003
General obligation notes	652,468	618,981
Urban renewal tax increment	40,949	66,078
Revenue bonds	1,245,000	1,345,000
Other obligations	216,797	0
Total	<u>2,155,214</u>	<u>2,030,059</u>

Normal payments were made on all existing notes. The City borrowed \$200,000 for the Community Center project and \$240,886 for the extension of utilities to a newly annexed area.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$910,214 is significantly below its constitutional debt limit of \$2,581,746.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Numerous issues were taken into account when adopting the budget for fiscal year 2005. Total revenues anticipated are \$4,361,364, a decrease from 2004 where total actual revenues were \$4,198,621. Property tax revenue is expected to increase from \$487,876 to \$519,590. Expenditures are projected to total \$4,363,729. If all projections are realized, the City's cash balance is expected to be relatively unchanged.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Loras Herrig, City Administrator, 106 N. Third Street, Bellevue IA 52031 or 563-872-4456.

**BASIC
FINANCIAL
STATEMENTS**

EXHIBIT "A"

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Charges for Services	Operating Grants, Contributions & Restricted Interest	Capital Grants, Contributions & Restricted Interest	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Primary Government:	-----	-----	-----	-----	-----	-----	-----	-----
Governmental Activities:								
Public safety	\$ 374,221	\$ 26,899	\$ 3,592	\$ 46,346	\$ (297,384)	\$ ---	\$ (297,384)	\$ ---
Public works	292,279	5,211	195,726	---	(91,342)	---	(91,342)	---
Culture and recreation	552,543	21,346	25,506	77,141	(428,550)	---	(428,550)	---
Community and economic development	9,259	---	---	---	(9,259)	---	(9,259)	---
General government	259,108	4,803	---	---	(254,305)	---	(254,305)	---
Debt service	199,858	---	---	---	(199,858)	---	(199,858)	---
Capital projects	50,520	---	---	---	(50,520)	---	(50,520)	---
	-----	-----	-----	-----	-----	-----	-----	-----
Total Governmental Activities	\$ 1,737,788	\$ 58,259	\$ 224,824	\$ 123,487	\$(1,331,218)	\$ ---	\$(1,331,218)	\$ ---
	-----	-----	-----	-----	-----	-----	-----	-----
Business Type Activities:								
Water	\$ 226,263	\$ 198,112	\$ ---	\$ 15,170	\$ ---	\$ (12,981)	\$ (12,981)	\$ ---
Electric	1,375,291	1,403,563	---	---	---	28,272	28,272	---
Sewer rental	404,185	387,354	---	---	---	(16,831)	(16,831)	---
Electric - capital equipment	11,438	---	---	---	---	(11,438)	(11,438)	---
Sanitation	200,235	222,880	---	---	---	22,645	22,645	---
Ambulance	142,918	56,417	6,600	28,887	---	(51,014)	(51,014)	---
Cable TV	288,671	391,066	---	---	---	102,395	102,395	---
Customer's deposits	7,075	---	---	---	---	(7,075)	(7,075)	---
	-----	-----	-----	-----	-----	-----	-----	-----
Total Business Type Activities	\$ 2,656,076	\$ 2,659,392	\$ 6,600	\$ 44,057	\$ ---	\$ 53,973	\$ 53,973	\$ ---
	-----	-----	-----	-----	-----	-----	-----	-----
Total Primary Government	\$ 4,393,864	\$ 2,717,651	\$ 231,424	\$ 167,544	\$(1,331,218)	\$ 53,973	\$(1,277,245)	\$ ---
	-----	-----	-----	-----	-----	-----	-----	-----

See notes to financial statements.

EXHIBIT "A" (continued)

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Charges for Services	Operating Grants, Contributions & Restricted Interest	Capital Grants, Contributions & Restricted Interest	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Functions/Programs:	-----	-----	-----	-----	-----	-----	-----	-----
Component Unit:								
BETA	\$ ---	\$ ---	\$ ---	\$ ---				\$ ---
	=====	=====	=====	=====				-----
General Receipts:								
Property tax levied for:								
General purposes					\$ 455,016	\$ ---	\$ 455,016	\$ ---
Tax increment financing					67,051	---	67,051	---
Debt service					32,860	---	32,860	---
Local option sales tax					154,642	---	154,642	---
Other city tax					9,581	---	9,581	---
Intergovernmental					12,965	---	12,965	---
Unrestricted interest on investments					62,388	14,259	76,647	202
Loan proceeds					200,000	---	200,000	---
Interfund debt repayment					---	24,089	24,089	---
Miscellaneous					22,369	23,227	45,596	5,063
Sale of assets					3,555	---	3,555	---
Transfers					267,869	(267,869)	---	---
					-----	-----	-----	-----
Total General Receipts and Transfers					\$ 1,288,296	\$ (206,294)	\$ 1,082,002	\$ 5,265
					-----	-----	-----	-----
Change in Cash Basis Net Assets					\$ (42,922)	\$ (152,321)	\$ (195,243)	\$ 5,265
Cash Basis Net Assets Beginning of Year					672,453	1,020,499	1,692,952	17,600
					-----	-----	-----	-----
Cash Basis Net Assets End of Year					\$ 629,531	\$ 868,178	\$ 1,497,709	\$ 22,865
					=====	=====	=====	=====

See notes to financial statements.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets				
			Operating Grants, Contributions & Restricted Interest	Capital Grants, Contributions & Restricted Interest	Primary Government			
	Disbursements	Charges for Services			Governmental Activities	Business Type Activities	Total	Component Unit
	-----	-----	-----	-----	-----	-----	-----	-----
Cash Basis Net Assets:								
Restricted:								
Streets					\$ 111,253	\$ ---	\$ 111,253	\$ ---
Debt service					42,536	---	42,536	---
Other purposes					6,493	---	6,493	---
Unrestricted					469,249	868,178	1,337,427	22,865
					-----	-----	-----	-----
Total Cash Basis Net Assets					\$ 629,531	\$ 868,178	\$ 1,497,709	\$ 22,865
					=====	=====	=====	=====

See notes to financial statements.

EXHIBIT "B"

CITY OF BELLEVUE
BELLEVUE, IOWASTATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	General	Road Use Tax	Debt Service	Other Nonmajor Governmental Funds	Total
	-----	-----	-----	-----	-----
Receipts:					
Property tax	\$ 406,701	\$ ---	\$ 32,860	\$ 48,315	\$ 487,876
Tax increment financing collections	---	---	9,016	58,035	67,051
Other city tax	86,095	---	325	77,803	164,223
Licenses and permits	4,803	---	---	---	4,803
Use of money and property	64,837	---	805	572	66,214
Intergovernmental	64,842	195,726	2,333	---	262,901
Charges for services	23,310	---	---	---	23,310
Miscellaneous	30,932	---	---	116,132	147,064
	-----	-----	-----	-----	-----
Total Receipts	\$ 681,520	\$ 195,726	\$ 45,339	\$ 300,857	\$ 1,223,442
	-----	-----	-----	-----	-----
Disbursements:					
Operating:					
Public safety	\$ 367,576	\$ ---	\$ ---	\$ 6,645	\$ 374,221
Public works	35,160	160,375	---	96,744	292,279
Culture and recreation	552,543	---	---	---	552,543
Community and economic development	9,259	---	---	---	9,259
General government	259,108	---	---	---	259,108
Debt service	---	---	124,404	75,454	199,858
Capital projects	---	---	---	50,520	50,520
	-----	-----	-----	-----	-----
Total Disbursements	\$ 1,223,646	\$ 160,375	\$ 124,404	\$ 229,363	\$ 1,737,788
	-----	-----	-----	-----	-----
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (542,126)	\$ 35,351	\$ (79,065)	\$ 71,494	\$ (514,346)
	-----	-----	-----	-----	-----
Other Financing Sources (Uses):					
Sale of assets	\$ 3,555	\$ ---	\$ ---	\$ ---	\$ 3,555
Loan proceeds	200,000	---	---	---	200,000
Operating transfers in	316,851	---	42,581	34,504	393,936
Operating transfers out	(18,000)	---	(16,504)	(91,563)	(126,067)
	-----	-----	-----	-----	-----
Total Other Financing Sources (Uses)	\$ 502,406	\$ ---	\$ 26,077	\$ (57,059)	\$ 471,424
	-----	-----	-----	-----	-----
Net Change in Cash Balances	\$ (39,720)	\$ 35,351	\$ (52,988)	\$ 14,435	\$ (42,922)
	-----	-----	-----	-----	-----
Cash Balances Beginning of Year	509,169	41,882	96,524	24,878	672,453
	-----	-----	-----	-----	-----
Cash Balances End of Year	\$ 469,449	\$ 77,233	\$ 43,536	\$ 39,313	\$ 629,531
	=====	=====	=====	=====	=====

See notes to financial statements.

EXHIBIT "B" (continued)

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

	General	Road Use Tax	Debt Service	Other Nonmajor Governmental Funds	Total
	-----	-----	-----	-----	-----
Cash Basis Fund Balances:					
Reserved for debt service	\$ ---	\$ ---	\$ 43,536	\$ (1,200)	\$ 42,336
Unreserved:					
Designated for:					
Tennis courts	5,000	---	---	---	5,000
Employee insurance	14,272	---	---	---	14,272
General fund	450,177	---	---	---	450,177
Special revenue funds	---	77,233	---	19,582	96,815
Capital projects fund	---	---	---	20,931	20,931
	-----	-----	-----	-----	-----
Total Cash Basis Fund Balances	\$ 469,449	\$ 77,233	\$ 43,536	\$ 39,313	\$ 629,531
	=====	=====	=====	=====	=====

See notes to financial statements.

EXHIBIT "C"

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

	Enterprise Funds								
	Water	Electric	Sewer Rental	Electric- Capital Equipment	Sanitation	Ambulance	Cable TV	Other Nonmajor Proprietary Funds	Total
Operating Receipts:									
Use of money and property	\$ ---	\$ 3,518	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 3,518
Charges for services	185,739	1,340,256	382,908	---	219,958	56,417	365,642	---	2,550,920
Miscellaneous	13,539	67,246	4,621	---	3,129	2,335	30,181	7,130	128,181
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total Operating Receipts	\$ 199,278	\$1,411,020	\$ 387,529	\$ ---	\$ 223,087	\$ 58,752	\$ 395,823	\$ 7,130	\$2,682,619
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Operating Disbursements:									
Business type activities	\$ 226,263	\$1,375,291	\$ 195,977	\$ 11,438	\$ 200,235	\$ 48,993	\$ 201,921	\$ 101,000	\$2,361,118
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Excess (Deficiency) of Receipts Over (Under) Operating Disbursements	\$ (26,985)	\$ 35,729	\$ 191,552	\$ (11,438)	\$ 22,852	\$ 9,759	\$ 193,902	\$ (93,870)	\$ 321,501
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Non-Operating Receipts (Disbursements):									
Intergovernmental	\$ 15,170	\$ ---	\$ ---	\$ ---	\$ ---	\$ 6,600	\$ ---	\$ ---	\$ 21,770
Interest on investments	---	4,373	987	5,735	564	1,948	26	626	14,259
Contributions	---	---	---	---	---	---	---	28,887	28,887
Interfund debt repayment	---	---	---	24,089	---	---	(54,675)	---	(30,586)
Debt service	---	---	---	---	---	---	(32,075)	(208,208)	(240,283)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total Non-Operating Receipts Disbursements	\$ 15,170	\$ 4,373	\$ 987	\$ 29,824	\$ 564	\$ 8,548	\$ (86,724)	\$ (178,695)	\$ (205,953)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (11,815)	\$ 40,102	\$ 192,539	\$ 18,386	\$ 23,416	\$ 18,307	\$ 107,178	\$ (272,565)	\$ 115,548
	-----	-----	-----	-----	-----	-----	-----	-----	-----

See notes to financial statements.

EXHIBIT "C" (continued)

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

	Enterprise Funds								
	Water	Electric	Sewer Rental	Electric- Capital Equipment	Sanitation	Ambulance	Cable TV	Other Nonmajor Proprietary Funds	Total
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Other Financing Sources (Uses):									
Operating transfers in	\$ 400,000	\$ 36,893	\$ ---	\$ 20,000	\$ ---	\$ ---	\$ ---	\$ 207,908	\$ 664,801
Operating transfers out	(14,567)	(194,120)	(237,324)	(400,000)	(15,571)	(6,814)	(64,274)	---	(932,670)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total Other Financing Sources (Uses)	\$ 385,433	\$ (157,227)	\$ (237,324)	\$ (380,000)	\$ (15,571)	\$ (6,814)	\$ (64,274)	\$ 207,908	\$ (267,869)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Net Change in Cash Balances	\$ 373,618	\$ (117,125)	\$ (44,785)	\$ (361,614)	\$ 7,845	\$ 11,493	\$ 42,904	\$ (64,657)	\$ (152,321)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Cash Balances Beginning of Year	(312,198)	450,035	100,587	554,497	54,022	87,514	(7,304)	93,346	1,020,499
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Cash Balances End of Year	\$ 61,420	\$ 332,910	\$ 55,802	\$ 192,883	\$ 61,867	\$ 99,007	\$ 35,600	\$ 28,689	\$ 868,178
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Cash Basis Fund Balances:									
Unreserved Cash Basis Fund Balances	\$ 61,420	\$ 332,910	\$ 55,802	\$ 192,883	\$ 61,867	\$ 99,007	\$ 35,600	\$ 28,689	\$ 868,178
	=====	=====	=====	=====	=====	=====	=====	=====	=====

See notes to financial statements.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies:

The City of Bellevue is a political subdivision of the State of Iowa located in Jackson County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides, water, sewer, electric, sanitation, and cable T.V. utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Bellevue, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Bellevue (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Bellevue Economic and Tourism Association (BETA) is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. BETA is governed by a five-member board, two of which are appointed by the City Council. See Note 16 for additional information regarding BETA.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Policies: (Continued)

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jackson County Assessor's Conference Board, North East Jackson County Development Corporation, Jackson County Joint E911 Service Board, and Bellevue Economic Tourism Association.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Principles: (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds in their respective financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Special Revenue, Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The Electric Capital Equipment Fund is used to account for capital improvements relating to the City's enterprise funds.

The Sanitation Fund is used to account for the operation and maintenance of the City's refuse collection services.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 1 - Summary of Significant Accounting Principles: (Continued)

The Ambulance Fund is used to account for the operation and maintenance of the City's ambulance service.

The Cable TV Fund is used to account for the operation and maintenance of the City's cable television system.

C. Measurement Focus and Basis of Accounting

The City of Bellevue maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with United States of America generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, debt service, capital projects, and business type activities functions.

Note 2 - Cash and Pooled Investments:

The City's deposits in banks at June 30, 2004, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 2 - Cash and Pooled Investments: (Continued)

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

Note 3 - Notes Payable:

Following is a summary of the terms and conditions of the notes outstanding as of June 30, 2004.

Sewer Revenue Note:

On February 1, 1999, the City entered into a loan agreement with Ruan Securities Corporation and provided for issuance of \$1,700,000 in revenue notes.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity of the Sanitary Sewer System and the note holders hold a lien on the future earnings of the fund.
- (b) Net revenues of the Utility will be collected in a sinking fund for the purpose of making the note principal and interest payments when due.

General Obligation Notes:

On May 10, 1999, the City entered into a loan agreement with Bellevue State Bank and provided for issuance of \$200,000 in General Obligation Corporate Purpose Notes.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 3 - Notes Payable: (Continued)

On January 1, 2000, the City entered into a loan agreement with Bankers Trust and provided for issuance of \$400,000 in General Obligation Sewer Improvement Notes.

On July 23, 2001, the City entered into a loan agreement with Maquoketa Valley Electric Cooperative and provided for issuance of \$102,467 in General Obligation Corporate Purpose Notes.

On December 29, 2003, the City entered into a loan agreement with Bellevue State Bank and provided for issuance of \$200,000 in General Obligation Community/Senior Center Notes.

Urban Renewal Tax Increment Financing Note:

On January 30, 1998, the City entered into a loan agreement with Bellevue State Bank and provided for issuance of \$219,000 in Park and 12th Street Paving Project Notes.

The funding to retire the notes will be provided by a tax levy on all taxable property in the City in sufficient amounts, but not limited to, to pay the principal of and interest on the notes as they come due.

Other Obligations:

On April 4, 1994, the City of Bellevue General Fund entered into an agreement and loaned \$341,595 to the City of Bellevue Cable T.V. Fund. Principal is due on demand with interest thereon at 4.8% per annum. To date, interest of \$63,080 has been paid on this loan. It is the City's intention to pay all remaining interest as funds become available.

On February 1, 2004, the City of Bellevue entered into an agreement to repay the Electric Capital Improvement Fund \$240,886 expended for municipal water and sewer improvements for an area annexed on the northerly city limits of Bellevue. This amount will be repaid in annual installments of \$24,089 with the final payment due June 1, 2014.

Annual debt service requirements to maturity for general obligation notes, revenue notes, and tax increment financing notes are as follows:

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 3 - Notes Payable: (Continued)

Year Ending June 30	General Obligation Notes		Revenue Notes		TIF Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	100,569	24,680	100,000	58,185	26,554	1,631
2006	106,421	21,021	105,000	53,835	14,395	357
2007	107,309	16,738	110,000	49,215	---	---
2008	108,234	12,999	115,000	44,320	---	---
2009	114,196	8,904	120,000	39,145	---	---
2010	50,247	4,720	125,000	33,625	---	---
2011	55,247	2,520	130,000	27,750	---	---
2012	10,245	---	140,000	21,575	---	---
2013	---	---	145,000	14,855	---	---
2014	---	---	155,000	7,750	---	---
	652,468	91,582	1,245,000	350,255	40,949	1,988
	=====	=====	=====	=====	=====	=====

Year Ending June 30	Other Obligations		Total	
	Principal	Interest	Principal	Interest
2005	---	1,776	227,123	86,272
2006	24,089	---	249,905	75,213
2007	24,089	---	241,398	65,953
2008	24,089	---	247,323	57,319
2009	24,089	---	258,285	48,049
2010	24,089	---	199,336	38,345
2011	24,089	---	209,336	30,270
2012	24,089	---	174,334	21,575
2013	24,089	---	169,089	14,855
2014	24,085	---	179,085	7,750
	216,797	1,776	2,155,214	445,601
	=====	=====	=====	=====

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 4 - Pension and Retirement Benefits:

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$48,286, \$48,378, and \$47,460, respectively, equal to the required contributions for each year.

Note 5 - 28 E Agreements:

Communications Services -

On May 23, 1983, the City entered into a 28E Agreement with the City of Maquoketa. The agreement is for the purpose of providing the City of Bellevue with communication services for law enforcement and community protection purposes.

Community Protection Services -

On May 27, 1986, the City entered into a 28E Agreement with the Cities of Maquoketa, Preston, Sabula, and Tipton. The agreement is for the purpose of providing more efficient law enforcement protection.

On April 28, 1999, the City entered into a 28E Agreement with the Bellevue Rural Fire Agency of Jackson County. The agreement is for the purpose of providing more efficient fire protection.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 5 - 28 E Agreements: (Continued)

Landfill Operation -

In 1971 the City entered into a 28E Agreement with other Jackson County communities. The agreement is for the purpose of providing more efficient landfill operations.

Contract Law Enforcement -

In 2000, the City renewed its 28E Agreement with the Corp. of Engineers to provide increased law enforcement services during the period of May 8 - September 17, 2002 for the Pleasant Creek Recreation Area, Mississippi River Project.

Note 6 - 28 D Agreement:

Drug Task Force -

In 1997, the City entered into a 28D Agreement with various Jackson County and Jones County law enforcement agencies. The purpose of the agreement is to recognize the guidelines, terms and conditions set forth in the Iowa Code Chapter 28D relating to the interchange of federal, state, and local government employees in regards to the above 28E Drug Task Force Agreement.

Note 7 - Compensated Absences:

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave and personal leave accumulates but is not payable upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation leave termination payments payable to employees at June 30, 2004, primarily relating to the General and Utility Funds, is as follows:

Type of Benefit	Amount
-----	-----
Vacation	\$ 40,904
	=====

The liability has been computed based on rates of pay as of June 30, 2004.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 8 - Interfund Transfers:

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to -----	Transfer from -----	Amount -----
General	Special Revenue: Employee Benefits	\$ 48,982
	Enterprise:	
	Water	14,567
	Electric	174,120
	Sewer Rental	29,416
	Sanitation	15,571
	Ambulance	6,814
	Cable TV	27,381

		\$ 316,851

Special Revenue: LOT - Street Improvement	General	\$ 18,000

Debt Service: Debt Service	Special Revenue: LOT - Street Improvement	\$ 42,581
BETA Court TIF	Debt Service: Debt Service	16,504

		\$ 59,085

Enterprise: Water	Enterprise: Electric - Capital Improvement	\$ 400,000
Electric	Enterprise: Cable TV	36,893
Sewer Capital	Enterprise: Sewer Rental	207,908
Electric - Capital Improvement	Enterprise: Electric	20,000

		\$ 664,801

Total		\$1,058,737
		=====

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 8 - Interfund Transfers: (Continued)

Transfers are used to (1) move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In addition, a transfer from the Electric-Capital Improvement Fund to the Water Fund in the amount of \$400,000 was made to eliminate the deficit in the Water Fund.

Note 9 - Risk Management:

The City of Bellevue is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 490 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 9 - Risk Management: (Continued)

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2004 were \$88,528.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a liability claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Note 10 - Related Party Transactions:

The City had business transactions between the City and City officials and employees totaling \$5,323 during the year ended June 30, 2004.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 11 - Construction in Progress:

The City entered into a contract totaling \$68,824 for the remodeling of the Community Center. At June 30, 2004, no payments had been made on this contract.

Note 12 - Deficit Fund Balance:

The Special Revenue, TIF District Fund and the Debt Service, TIF Development Fund had deficit balances of \$18,645 and \$1,200 respectively. The deficit balance is a result of costs incurred prior to receipt of property taxes.

Note 13 - Litigation:

The City is involved in the following litigation:

A property owner claims his property was devalued by the construction of a well building by the City. No litigation has been filed, and an out of court settlement is being sought. It is anticipated that losses will not exceed \$20,000, all of which will be paid by the City's engineering firm.

Note 14 - Accounting Change and Restatements:

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Note 15 - Subsequent Events:

On September 15, 2004, the City sold the old Community Center for \$49,875.

The City approved purchasing property at a cost of \$142,026 in August 2004. The purchase was completed on January 27, 2005.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

Note 16 - Component Unit:

The Bellevue Economic and Tourism Association (BETA) is a component unit of the City of Bellevue. Following is a summary of the terms and conditions of BETA's loans:

Loans to various community businesses:

	Balance Beginning of Year	New Loans	Payments Received	Balance End of Year
John Herrig	\$ 100,000	\$ ---	\$ ---	\$ 100,000
Whathelps, Inc.	65,984	---	---	65,984
Potter's Mill	39,531	---	---	39,531
	-----	-----	-----	-----
	\$ 205,515	\$ ---	\$ ---	\$ 205,515
	=====	=====	=====	=====

John Herrig - dated May 15, 1998, interest at 4.25% is due on the 15th day of each November and May, principal is due May 15, 2003, secured by real estate mortgage. This note was renewed December 31, 2004.

\$ 100,000
=====

Whathelps, Inc. - dated November 1, 2000, interest at 4.75%, principal and interest are due November 1, 2006, secured by personal guarantees.

\$ 65,984
=====

Daryll and Carolyn Eggers, D/B/A Potter's Mill - dated March 18, 2002, interest at 2.00% and will be adjusted annually. Principal and interest payments of \$10,724 are due the 18th day of each March, unsecured. Final payment is due March 18, 2007.

\$ 39,531
=====

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004**

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
	-----	-----	-----	Original	Final	-----
Receipts:						
Property tax	\$ 487,876	\$ ---	\$ 487,876	\$ 487,869	\$ 487,869	\$ 7
Tax increment financing collections	67,051	---	67,051	67,555	67,555	(504)
Other city tax	164,223	---	164,223	162,603	162,603	1,620
Licenses and permits	4,803	---	4,803	7,100	7,100	(2,297)
Use of money and property	66,214	17,777	83,991	4,500	4,500	79,491
Intergovernmental	262,901	21,770	284,671	246,843	246,843	37,828
Charges for services	23,310	2,655,874	2,679,184	2,796,920	2,796,920	(117,736)
Miscellaneous	147,064	76,203	223,267	85,500	85,500	137,767
	-----	-----	-----	-----	-----	-----
Total Receipts	\$ 1,223,442	\$ 2,771,624	\$ 3,995,066	\$ 3,858,890	\$ 3,858,890	\$ 136,176
	-----	-----	-----	-----	-----	-----
Disbursements:						
Public safety	\$ 374,221	\$ ---	\$ 374,221	\$ 370,451	\$ 370,451	\$ (3,770)
Public works	292,279	---	292,279	322,972	322,972	30,693
Culture and recreation	552,543	---	552,543	266,009	266,009	(286,534)
Community and economic development	9,259	---	9,259	12,350	12,350	3,091
General government	259,108	---	259,108	259,370	259,370	262
Debt service	199,858	---	199,858	124,427	124,427	(75,431)
Capital projects	50,520	---	50,520	---	---	(50,520)
Business type activities	---	2,656,076	2,656,076	2,235,257	2,235,257	(420,819)
	-----	-----	-----	-----	-----	-----
Total Disbursements	\$ 1,737,788	\$ 2,656,076	\$ 4,393,864	\$ 3,590,836	\$ 3,590,836	\$ (803,028)
	-----	-----	-----	-----	-----	-----

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS)-
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2004**

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
	-----	-----	-----	Original	Final	-----
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (514,346)	\$ 115,548	\$ (398,798)	\$ 268,054	\$ 268,054	\$ (666,852)
Other Financing Sources, Net	471,424	(267,869)	203,555	---	---	203,555
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	\$ (42,922)	\$ (152,321)	\$ (195,243)	\$ 268,054	\$ 268,054	\$ (463,297)
Balances Beginning of Year	672,453	1,020,499	1,692,952	2,284,242	2,284,242	(591,290)
Balances End of Year	\$ 629,531	\$ 868,178	\$ 1,497,709	\$ 2,552,296	\$ 2,552,296	\$(1,054,587)
	=====	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING**

JUNE 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, debt service, capital projects, and business type activities functions.

**OTHER
SUPPLEMENTARY
INFORMATION**

SCHEDULE "1"

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

	Special Revenue				Debt Service		Capital Projects	
	Employee Benefits	TIF District	LOT - Street Improvement	Fire Department Gift Fund	BETA Court TIF	TIF Development	Park Improvement	Total
Receipts:								
Property tax	\$ 48,315	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 48,315
Tax increment financing collections	---	27,650	---	---	---	30,385	---	58,035
Other city tax	482	---	77,321	---	---	---	---	77,803
Use of money and property	185	---	369	---	---	---	18	572
Miscellaneous	---	---	3,484	41,215	---	---	71,433	116,132
Total Receipts	\$ 48,982	\$ 27,650	\$ 81,174	\$ 41,215	\$ ---	\$ 30,385	\$ 71,451	\$ 300,857
Disbursements:								
Operating:								
Public safety	\$ ---	\$ ---	\$ ---	\$ 6,645	\$ ---	\$ ---	\$ ---	\$ 6,645
Public works	---	---	96,744	---	---	---	---	96,744
Debt service	---	28,184	---	---	16,504	30,766	---	75,454
Capital projects	---	---	---	---	---	---	50,520	50,520
Total Disbursements	\$ ---	\$ 28,184	\$ 96,744	\$ 6,645	\$ 16,504	\$ 30,766	\$ 50,520	\$ 229,363
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 48,982	\$ (534)	\$ (15,570)	\$ 34,570	\$ (16,504)	\$ (381)	\$ 20,931	\$ 71,494
Other Financing Source (Uses):								
Operating transfers in	\$ ---	\$ ---	\$ 18,000	\$ ---	\$ 16,504	\$ ---	\$ ---	\$ 34,504
Operating transfers out	(48,982)	---	(42,581)	---	---	---	---	(91,563)
Total Other Financing Sources (Uses)	\$ (48,982)	\$ ---	\$ (24,581)	\$ ---	\$ 16,504	\$ ---	\$ ---	\$ (57,059)

See accompanying independent auditor's report.

SCHEDULE "1" (continued)

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

	Special Revenue				Debt Service		Capital Projects	
	Employee Benefits	TIF District	LOT - Street Improvement	Fire Department Gift Fund	BETA Court TIF	TIF Development	Park Improvement	Total
Net Change in Cash Balances	\$ ---	\$ (534)	\$ (40,151)	\$ 34,570	\$ ---	\$ (381)	\$ 20,931	\$ 14,435
Cash Balances Beginning of Year	---	(18,111)	74,171	(30,363)	---	(819)	---	24,878
Cash Balances End of Year	<u>\$ ---</u>	<u>\$ (18,645)</u>	<u>\$ 34,020</u>	<u>\$ 4,207</u>	<u>\$ ---</u>	<u>\$ (1,200)</u>	<u>\$ 20,931</u>	<u>\$ 39,313</u>
Cash Basis Fund Balances:								
Reserved for debt service	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ (1,200)	\$ ---	\$ (1,200)
Unreserved:								
Special revenue funds	---	(18,645)	34,020	4,207	---	---	---	19,582
Capital projects fund	---	---	---	---	---	---	20,931	20,931
Total Cash Basis Fund Balances	<u>\$ ---</u>	<u>\$ (18,645)</u>	<u>\$ 34,020</u>	<u>\$ 4,207</u>	<u>\$ ---</u>	<u>\$ (1,200)</u>	<u>\$ 20,931</u>	<u>\$ 39,313</u>

See accompanying independent auditor's report.

SCHEDULE "2"

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004**

	Sewer Capital	Ambulance Gift Fund	Customers' Deposits	Total
	-----	-----	-----	-----
Operating Receipts:				
Miscellaneous	\$ ---	\$ ---	\$ 7,130	\$ 7,130
	-----	-----	-----	-----
Operating Disbursements:				
Business type activities	\$ ---	\$ 93,925	\$ 7,075	\$ 101,000
	-----	-----	-----	-----
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	\$ ---	\$ (93,925)	\$ 55	\$ (93,870)
	-----	-----	-----	-----
Non-Operating Receipts (Disbursements):				
Interest on investments	\$ 443	\$ 183	\$ ---	\$ 626
Contributions	---	28,887	---	28,887
Debt service	(208,208)	---	---	(208,208)
	-----	-----	-----	-----
Total Non-Operating Receipts (Disbursements)	\$ (207,765)	\$ 29,070	\$ ---	\$ (178,695)
	-----	-----	-----	-----
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (207,765)	\$ (64,855)	\$ 55	\$ (272,565)
	-----	-----	-----	-----
Other Financing Sources (Uses):				
Operating transfers in	\$ 207,908	\$ ---	\$ ---	\$ 207,908
	-----	-----	-----	-----
Net Change in Cash Balances	\$ 143	\$ (64,855)	\$ 55	\$ (64,657)
	-----	-----	-----	-----
Cash Balances Beginning of Year	778	76,749	15,819	93,346
	-----	-----	-----	-----
Cash Balances End of Year	\$ 921	\$ 11,894	\$ 15,874	\$ 28,689
	=====	=====	=====	=====
Cash Basis Fund Balances:				
Unreserved Cash Basis Fund Balances	\$ 921	\$ 11,894	\$ 15,874	\$ 28,689
	=====	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE “3”

**CITY OF BELLEVUE
BELLEVUE, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2004**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation:									
Cable Television Notes:									
Bellevue State Bank	June 14, 1993	5.00%-7.00%	\$ 270,000	\$ 15,857	\$ ---	\$ 15,857	\$ ---	\$ 155	\$ ---
Iowa Bank	June 14, 1993	5.00%-7.00%	270,000	15,855	---	15,855	---	208	---
Sewer Improvement Note:									
Bankers Trust	January 1, 2000	4.70%-5.60%	400,000	290,000	---	30,000	260,000	15,423	---
Fire Truck Note:									
Bellevue State Bank	May 10, 1999	4.15%	200,000	129,998	---	19,504	110,494	5,194	---
Fire Station Note:									
Maquoketa Valley Electric Cooperative	July 23, 2001	---	102,467	92,220	---	10,246	81,974	---	---
Street Sweeper Note:									
Bellevue State Bank	November 15, 2000	5.44%	93,500	59,051	---	59,051	---	3,627	---
Corporate Purpose Notes:									
Bellevue State Bank	February 15, 1994	5.90%-6.35%	70,000	16,000	---	16,000	---	504	---
Community/Senior Center Note:									
	December 29, 2003	3.19%	200,000	---	200,000	---	200,000	2,693	---
Total General Obligation				\$ 618,981	\$ 200,000	\$ 166,513	\$ 652,468	\$ 27,804	\$ ---
				=====	=====	=====	=====	=====	=====
Revenue Notes:									
Sewer	February 1, 1999	4.10%-5.00%	1,700,000	\$1,345,000	\$ ---	\$ 100,000	\$1,245,000	\$ 62,485	\$ ---
				=====	=====	=====	=====	=====	=====
Urban Renewal Tax Increment Financing Note:									
Bellevue State Bank	January 30, 1998	4.74%	219,000	\$ 66,078	\$ ---	\$ 25,129	\$ 40,949	\$ 3,055	\$ ---
				=====	=====	=====	=====	=====	=====
Other Obligations:									
Cable TV - Interfund Loan	April 4, 1994	4.80%	341,595	\$ ---	\$ ---	\$ ---	\$ ---	\$ 54,675	\$ 1,776
General Fund - Interfund Loan	February 1, 2004	---	240,886	---	240,886	24,089	216,797	---	---
				=====	=====	=====	=====	=====	=====
Total Other Obligations				\$ ---	\$ 240,886	\$ 24,089	\$ 216,797	\$ 54,675	\$ 1,776
				=====	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE “4”

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BOND AND NOTE MATURITIES
JUNE 30, 2004**

Year Ending June 30	General Obligation Notes									Urban Renewal Tax Increment Financing Note		Revenue Note	
	Fire Truck		Sewer Improvement		Fire Station		Community/Senior Center			Park and 12 th Street		Sewer Revenue Note	
	Issued May 10, 1999		Issued January 1, 2000		Issued July 23, 2001		Issued December 29, 2003			Issued January 30, 1998		Issued February 1, 1999	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	Interest Rates	Amount	Interest Rates	Amount
2005	4.15%	\$ 20,322	5.10%	\$ 30,000	.00%	\$ 10,247	3.19%	\$ 40,000	\$ 100,569	4.74%	\$ 26,554	4.35%	\$ 100,000
2006	4.15%	21,174	5.20%	35,000	.00%	10,247	3.19%	40,000	106,421	4.74%	14,395	4.40%	105,000
2007	4.15%	22,062	5.25%	35,000	.00%	10,247	3.19%	40,000	107,309			4.45%	110,000
2008	4.15%	22,987	5.30%	35,000	.00%	10,247	3.19%	40,000	108,234			4.50%	115,000
2009	4.15%	23,949	5.40%	40,000	.00%	10,247	3.19%	40,000	114,196			4.60%	120,000
2010		---	5.50%	40,000	.00%	10,247		---	50,247			4.70%	125,000
2011		---	5.60%	45,000	.00%	10,247		---	55,247			4.75%	130,000
2012		---		---	.00%	10,245		---	10,245			4.80%	140,000
2013		---		---		---		---	---			4.90%	145,000
2014		---		---		---		---	---			5.00%	155,000
Total		\$ 110,494		\$ 260,000		\$ 81,974		\$ 200,000	\$ 652,468		\$ 40,949		\$ 1,245,000
		=====		=====		=====		=====	=====		=====		=====

See accompanying independent auditor's report.

SCHEDULE "5"**CITY OF BELLEVUE
BELLEVUE, IOWA****SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS**

	2004	2003	2002	2001
	-----	-----	-----	-----
Receipts:				
Property tax	\$ 487,876	\$ 543,041	\$ 557,017	\$ 519,062
Tax increment financing collections	67,051	37,085	31,188	28,469
Other city tax	164,223	173,660	144,022	142,698
Licenses and permits	4,803	4,780	8,218	8,509
Use of money and property	66,214	17,434	20,926	34,890
Intergovernmental	262,901	331,270	257,968	246,574
Charges for services	23,310	24,672	25,361	26,246
Miscellaneous	147,064	47,042	48,506	52,132
	-----	-----	-----	-----
Total	\$ 1,223,442	\$ 1,178,984	\$ 1,093,206	\$ 1,058,580
	=====	=====	=====	=====
Disbursements:				
Operating:				
Public safety	\$ 374,221	\$ 354,078	\$ 309,035	\$ 415,821
Public works	292,279	211,154	265,107	382,056
Culture and recreation	552,543	253,251	220,437	306,753
Community and economic development	9,259	18,112	10,544	7,442
General government	259,108	277,566	258,557	273,432
Debt service	199,858	237,793	219,053	173,669
Capital projects	50,520	---	---	21,506
	-----	-----	-----	-----
Total	\$ 1,737,788	\$ 1,351,954	\$ 1,282,733	\$ 1,580,679
	=====	=====	=====	=====

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

To the Honorable Mayor
and Members of the City Council:

We have audited the financial statements of the City of Bellevue, Iowa as of and for the year ended June 30, 2004, and have issued our report thereon dated August 24, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our report included an explanatory paragraph on the implementation of GASB Statements No. 34, 37, 38, and 41 and a disclaimer of opinion on the required supplementary information including Management's Discussion and Analysis.

Compliance

As part of obtaining reasonable assurance about whether the City of Bellevue's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that we have reported in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items II-B-04, II-E-04, and II-J-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bellevue's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Bellevue's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for items I-A-04 and I-B-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Bellevue and other parties to whom the City of Bellevue may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Bellevue during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
August 24, 2004

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-04 Segregation of Duties - One important aspect of the internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the individual who reconciles the City's checking account is also authorized to sign checks.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain maximum internal control possible under the circumstances. We recommend that the bank statements be delivered directly to the City Administrator for review before being given to the individual responsible for the account reconciliations.

Response - We will investigate this.

Conclusion - Response accepted.

- I-B-04 Utility Deposits - During the audit, it was noted the utility payments received after the 21st of the month are not being deposited until the last day of the month.

Recommendation - All monies received should be deposited in a timely manner.

Response - We will deposit all monies received in a timely manner.

Conclusion - Response accepted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

Part I: Findings Related to the Financial Statements: (Continued)

I-C-04 Vendors - The City Clerk is able to add new vendors to the City's records without prior approval of the City Council.

Recommendation - The City should require preapproval of the City Council for all additions to the City's vendor listing.

Response - We will approve new vendors.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-04 Official Depositories - A resolution naming official depositories has been adopted by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the public safety, culture and recreation, debt service, capital projects and business type functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-C-04 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-E-04 Business Transactions - Business transactions between the City and City officials or employees were detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Whitey's, Inc., owned by City Administrator	Purchase of gasoline for City vehicles	\$ 4,597
Zeimet's Garage, owned by spouse of City employee	Repair and maintenance of City vehicles	\$ 726

According to Chapter 362.5(10) of the Code of Iowa, the transactions with the City employee do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the year. However, transactions with the City Administrator do appear to represent a conflict of interest since the total exceeds \$2,500.

Recommendation - The City should closely monitor these types of transactions in order to comply with Chapter 362.5(10) of the Code of Iowa.

Response - We will comply with the Code of Iowa.

Conclusion - Response accepted.

II-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-04 Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.

II-H-04 Revenue Note - The provisions of the revenue note appear to have been met.

II-I-04 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-J-04 Annual Financial Report - The Annual Financial Report was not filed by December 1 as required by Chapter 384.22 of the Code of Iowa. In addition, while the Annual Financial Report agrees in total to the financial statements, there are several variances in the receipts and disbursements line items.

Recommendation - The City should ensure the Annual Financial Report is timely filed. Also, the City should contact the Auditor of State to determine what corrections are necessary.

Response - In the future, we will be more diligent in our preparation of the Annual Financial Report and will file the report by December 1. We will contact the Auditor of State to determine the necessary corrections.

Conclusion - Response accepted.

II-K-04 Financial Condition - Several funds have deficit balances at June 30, 2004 including the TIF District Fund, \$18,645 and the TIF Development Fund, \$1,200.

Recommendation - The City should investigate alternatives to eliminate the deficits in these funds in order to return the funds to a sound financial position.

Response - We will investigate alternatives to eliminate the deficit balances.

Conclusion - Response accepted.